

**FILED**

AUG 03 2015

SECRETARY, BOARD OF  
OIL, GAS & MINING

**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR  
AGENCY ACTION OF BADLANDS ENERGY –  
UTAH, LLC FOR AN ORDER EXTENDING  
THE BOARD’S ORDER ENTERED IN CAUSE  
NO. 139-84, AND MODIFYING THE BOARD’S  
ORDERS ENTERED IN CAUSE NOS. 131-24  
AND 139-42, TO PROVIDE FOR THE  
DRILLING OF ADDITIONAL WELLS TO  
ACHIEVE THE EQUIVALENT OF UP TO A  
160-ACRE WELL DENSITY PATTERN, FOR  
THE PRODUCTION OF OIL, GAS AND  
ASSOCIATED HYDROCARBONS FROM THE  
LOWER GREEN RIVER – WASATCH  
FORMATIONS IN SECTIONS 1, 9, 10, 12, 13,  
15-17 AND 19-24, TOWNSHIP 2 SOUTH,  
RANGE 1 EAST, USM, UINTAH COUNTY,  
UTAH

**REQUEST FOR AGENCY ACTION**

Docket No. 2015-024

Cause No. 139-135

COMES NOW, Badlands Energy - Utah, LLC (“Badlands”), acting by and through its attorneys, MacDonald & Miller Mineral Legal Services, PLLC, and pursuant to Utah Code Ann. §§40-6-5(3)(b) and 40-6-6, and hereby respectfully requests the Board of Oil, Gas and Mining (the “Board”) to enter an order extending the Board’s Order entered on December 30, 2008 in Cause No. 139-84 (the “139-84 Order”) to allow up to four (4) producing wells upon the following existing drilling units established under the Board’s Order entered January 16, 1974 in Cause No. 131-24 (the “131-24 Order”), and

modified by the Board's Order entered April 17, 1985 in Cause No. 139-42 (the "139-42 Order"):

T2S, R1E, USM

- Section 1: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  [All, 652.74 acres]
- Section 9: All
- Section 10: Lots 1-16, 18-24, N $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ , and that portion of Duchesne Nos. 1-10, inclusive, (Patented) Mining Claims (Survey No. 5519) contained therein [All, 642.303 acres]
- Section 12: Lots 1 and 2, N $\frac{1}{2}$ , SE $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$  [All, 638.82 acres]
- Section 13: Lots 1-10, E $\frac{1}{2}$  [All, 641.98 acres]
- Section 15: Lots 1-8, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ , and that portion of Duchesne Nos. 1-10, inclusive, (Patented) Mining Claims (Survey No. 5519) contained therein [All, 649.09 acres]
- Section 16: All
- Section 17: All
- Section 19: Lots 1-4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  [All, 638.46 acres]
- Section 20: Lots 1-8, N $\frac{1}{2}$  [All, 632.73 acres]
- Section 21: Lots 1-4, 6-10, N $\frac{1}{2}$  [All, 636.76 acres]
- Section 22: Lots 1-8, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  [All, 649.76 acres]

Section 23: Lots 1-9, N $\frac{1}{2}$ , SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ ,  
NW $\frac{1}{4}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ ,  
E $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ ,  
SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$  [All, 640.50  
acres]

Section 24: Lots 1-8, E $\frac{1}{2}$  [All, 635.51 acres]

(collectively the "Extension Lands"), for the production of oil, gas and associated hydrocarbons from the Lower Green River and Wasatch formations, defined in the 131-24 Order (by reference to the Board's Order entered on August 11, 1971 in Cause No. 131-14), as follows:

that interval below the stratigraphic equivalent of 9,600 feet depth in the "E" Log of the Carter #2 Bluebell well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 3, Township 1 South, Range 2 West, USM (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 15, 1968, in the Chevron #1 Blanchard well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said Section 3), to the base of the Green River-Wasatch formations,

(the "Subject Formations").

In support of this Request, Badlands respectfully states and represents:

1. Badlands, successor in interest to Gasco Energy, Inc., is a Delaware limited liability company with its principal place of business in Denver, Colorado. Badlands is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant, Federal, Indian and State of Utah agencies.

2. By virtue of the 131-24 Order, the Extension Lands were established as sectional drilling units for production from the Subject Formations. Under said Order,

only one well on each such drilling unit was allowed, which could not be located closer than 1,320 feet from the drilling unit boundary.

3. By virtue of the 139-42 Order, the Board modified the 131-24 Order, among other orders, to provide that additional wells which produce from the Subject Formations may be drilled, completed, and produced on the established drilling units to a density of no greater than two (2) producing wells in each unit. Additional wells may be drilled at the option of the operator of the unit based upon geologic and engineering data for that unit which will justify an additional well in order to recover oil, provided that said operator would have a reasonable opportunity to recover costs of drilling, completing, producing and operating a well plus a reasonable profit. Any additional well must be located at least 1,320 feet from an existing well in the unit and not closer than 660 feet from the exterior boundary of the unit, and no two wells may be drilled in the same quarter section.

4. By virtue of the 139-84 Order, the Board modified many other orders applicable to the Altamont/Bluebell/Cedar Rim – Sink Draw fields, but only as relating to lands other than the Extension Lands, to allow up to four (4) producing Lower Green River-Wasatch wells upon each drilling unit established under said orders, to be drilled at the option of the operator and with the operator's full discretion as to the development of the hydrocarbon resources; provided that each additional well shall be no closer than

1,320 feet from an existing unit well completed in and producing from the formations and no closer than 660 feet from the drilling unit boundary.

5. As relating to the Lower Green River and Wasatch formations, the Board, in the 139-84 Order, expressly found:

- a) [P]roduction occurs from multiple, generally low-matrix porosity, thin-bedded sandstones, forming a highly complex series of isolated and discontinuous beds that are randomly distributed vertically over a several thousand-foot interval. Normally, the productive beds are separate and distinct and not in communication with each other [Finding of Fact No. 15];
- b) [M]any of the productive beds are not correlatable from well to well and will not afford communication between wells within several hundred feet of one another [Findings of Fact No. 16];
- c) [E]vidence from mudweights, pressure data, well logs, and production data show virgin and near virgin zones exist and reserves that otherwise would not be produced will be recovered by the drilling, completion and production of third and fourth wells [Findings of Fact No. 21]; and
- d) The drilling of increased density wells under existing orders [within the area subject to the 139-84 Order] demonstrates:
  - Second wells have recovered in excess of 55 MMBOE of incremental oil to date;
  - Second and third wells drilled discovered incremental oil in new reservoirs not intersected by earlier wells;
  - Second and third wells do not drain the reserves in the drilling units and are nearing the end of their economic lives;

- The average well drainage area [for the area subject to the 139-84 Order] is approximately 160 acres;
- Some of the reservoirs intersected by second and third wells do communicate with the earlier wells drilled, but also encountered incremental reserves (new reservoirs) that have not been previously encountered and produced;
- Despite some pressure communication between increased density wells with first and subsequent wells in [*sic*, a] section, there is no overall production interference or production acceleration between wells; and
- Production from second, third, and even fourth wells in [*sic*, a] section did not adversely affect production in the first and other pre-existing wells producing from the [Subject Formations] in the drilling units,

[Findings of Fact No. 22].

In addition, the Board expressly made the following conclusions of law:

- a) The 640-acre drilling units shall remain a uniform size and shape...and conform to the predominant pattern in the area established by the [139-42] Order...[Conclusion of Law No. 5]; and
- b) An order authorizing the drilling of additional wells, up to four wells in the established units at the option of the operator,...will promote the public interest, economically increase ultimate maximum recovery, prevent waste, protect correlative rights of all owners, and avoid the drilling of unnecessary wells [Conclusion of Law No. 7].

6. Similar to the testimony given and exhibits admitted into evidence at the hearing in Cause No. 139-84, and the Findings of Fact and Conclusions of Law of the Board cited in Paragraph 5 above, Badlands believes and therefore avers that, as relevant

to the Subject Formations underlying the Extension Lands, extension of the 139-84 Order to the Extension Lands is fair, equitable and justified.

7. As of August 1, 2015, Badlands operates one well producing oil from the Subject Formations upon the Extension Lands, specifically:

<u>Well Name</u>	<u>Location</u>	<u>DOFP</u>
Pappadakis 15-24-2-1E	Sec. 24: SW $\frac{1}{4}$ SE $\frac{1}{4}$	1/10/15

In addition, as of August 1, 2015, Badlands spud (but has not yet completed) the following wells upon the Extension Lands, which target production from the Subject Formations:

<u>Well Name</u>	<u>Location</u>	<u>Spud Date</u>
Cuch 10-17-2-1E	Sec. 17: NW $\frac{1}{4}$ SE $\frac{1}{4}$	6/19/15
Babb 6-24-2-1E	Sec. 24: SE $\frac{1}{4}$ NW $\frac{1}{4}$	6/16/15

An APD has been approved for an additional well to be operated by Badlands upon the Extension lands:

<u>Well Name</u>	<u>Location</u>	<u>APD Approved</u>
Tryon 10-19-2-1E	Sec. 19: NE $\frac{1}{4}$ SW $\frac{1}{4}$	3/30/15

8. The oil and gas underlying the Extension Lands are a mixture of Indian, Federal, State and fee ownership. Correlative rights will be protected by virtue of pooling or communitization agreements conforming to the existing 131-24 and 139-42

Orders, pursuant to which production will be allocated to all production interest owners within the applicable drilling unit regardless of the number of wells producing from the Subject Formations. Furthermore, the correlative rights of the parties in adjacent drilling units and lands are protected by virtue of maintaining the same drilling unit boundary offsets as currently exist under the 139-42 and 139-84 Orders.

9. Badlands believes and therefore avers that granting its Request will be in furtherance of the public policies of this State to promote greater recovery of oil, gas and associated hydrocarbons from the Subject Formations without waste and with protection of the correlative rights of all affected owners, constitutes orderly development of the Extension Lands, and is just and reasonable.

10. Badlands will, in accordance with Board rules, timely submit exhibits and present testimony in support of these allegations.

11. Badlands will separately file a certificate of mailing listing all parties known to it, based on a search of the respective State of Utah, Bureau of Indian Affairs and County realty records and the Division of Oil, Gas and Mining's records, whose "legally protected interests" will be affected by this Request. There are no respondents or adverse parties known at this time to Badlands.



**WHEREFORE**, Badlands respectfully requests:

1. That this matter be set for hearing on September 16, 2015 in Salt Lake City,  
Utah;

2. That notice of such hearing be given as provided by law; and

3. That, upon sufficient evidence produced and testimony given at the hearing,  
the Board issue an order:

- a) Extending application of the 139-84 Order to the Extension Lands defined above to allow up to four (4) producing Lower Green River-Wasatch wells upon the existing drilling units;
- b) Providing no productive interval of any well so authorized may be located closer than 660 feet to a drilling unit boundary or 1320 feet to another well producing from the Spaced Formations without an exception location approval obtained in accordance with Utah Admin. Code Rule R649-3-3;
- c) making such findings and orders in connection with this Request as it deems necessary; and
- d) providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 3<sup>rd</sup> day of August, 2015.

**MacDONALD & MILLER  
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